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ARIZONA CORPORATION COMMISSION

1009 JUL 31 A 8:26

July 30, 2009

DOCKET CONTROL

CERTIFIED MAIL

Mr. Matthew Lautebach
Granite Mountain Water Company, Inc.
2465 West Shane Drive
Prescott, Arizona 86305

RE: GRANITE MOUNTAIN WATER COMPANY, INC.'S APPLICATION FOR A RATE INCREASE, DOCKET NO. W-02467A-09-0333.

LETTER OF DEFICIENCY

Dear Mr. Lauterbach:

In reference to your rate application received on June 30, 2009, this letter is to inform you that your application has not yet met the sufficiency requirements as outlined in Arizona Administrative Code R14-2-103.

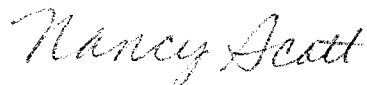
Staff found several deficiencies with your application, which are listed on a separate attachment. The 30-day sufficiency determination period will begin anew when the Company corrects the deficiencies and Docket Control receives an original and sixteen copies of the corrected pages.

You have 15 calendar days, or until August 14, 2009, to correct the deficiencies or make other arrangements with Staff to remedy your rate application. If the corrections or other arrangements are not made by the above date, Staff will request your docket number be administratively closed. Docket Control will retain one copy of the original application for Commission records. You may file an original and sixteen copies of an updated application at a later date.

Granite Mountain Water Co., Inc.
Letter of Deficiency
July 30, 2009
Page 2

The Staff person assigned to your application is Charles R. Myhlhousen. He can be reached at (602) 542-0863, or toll free at (800) 222-7000, if you have any questions or concerns.

Sincerely,

A handwritten signature in cursive script that reads "Nancy Scott".

Nancy Scott
Chief
Financial & Regulatory Analysis Section
Utilities Division

NS:CRM:kdh

CC: Docket Control Center (sixteen copies)
Lyn Farmer, Hearing Division
Delbert Smith, Engineering
Consumer Services
Legal Division

Granite Mountain Water Company, Inc.
Docket No. W-02467A-09-0333
Test Year Ended December 31, 2008

Attachment of Deficiencies (07/30/2009)

- 1.1 Page 6, test year revenue is \$73,987. Page 19 operating revenue is \$74,122. These should be the same. Please correct.
- 1.2 Page 6, number of customers is 96. Page 18 number of customers is 101. Page 17, number of customers is 100. The number of customers should be the same.
- 1.3 Pages 13, plant additions and retirements by year schedule. Please state the plant retirements for each year since the last rate case. This could include replacements of plant items and plant items removed from service.
- 1.4 Pages 13, plant additions and retirements by year schedule. The years 1995, 1999, and 2007 are footed incorrectly.
- 1.5 Page 14, plant summary schedule. The plant in service per prior decision is incorrect. Per application is \$998. Per the last decision is \$891. Please correct.
- 1.6 Page 21, balance sheet schedule. Account number 108, accumulated depreciation is \$364,957. Page 15, accumulated depreciation Column B is 357,845. These amounts should be the same. Please reconcile.
- 1.7 Page 23, supplemental financial data schedule. Please supply the missing information for the three loans. Please supply for each loan the interest rate, current year interest, current year principal and the Authority Granted by A.C.C. Decision No.
- 1.8 Page 1, water rate application checklist. Item No. 8, Invoices for repairs and maintenance in excess of \$150 incurred during the test year. (Acct. No. 620) Application stated invoices over \$250. This \$250 amount is incorrect. Please supply all invoices over \$150.
- 1.9 The bill count for the test year generates a different amount of meter revenue than is shown on page 19 of the application. They should be the same. Please reconcile.
- 1.10 The bill count proposed revenue generates a different amount of proposed revenue than the proposed revenue amount shown on page 6 of the application. They should be the same. Please reconcile.

Granite Mountain Water Company, Inc.
Docket No. W-02467A-09-0333
Test Year Ended December 31, 2008

Attachment of Deficiencies (07/30/2009)

DATA REQUESTS FROM ENGINEERING

- 1.11 Based on the water usage data provided, the Company had 22 percent water loss during the test year. This 22 percent water loss exceeds the 10 percent water loss limit. Please submit its water loss reduction plan.
- 1.12 Page 3 of the application, the Company stated that a replacement well would be drilled within the next year. The Company's two existing active wells were drilled in 1996 and 2004 respectively, both wells are still new. The water usage data suggests that the Company had adequate production during the test year. Please explain why it is necessary to replace one the existing wells.
- 1.13 Please provide the invoices of costs for testing lead and copper.
- 1.14 Please provide the invoices for the monthly bacteria tests.
- 1.15 Based on the Plant Additions information in the application, the Company installed a chlorine injection unit (referred to the "solution chemical feeders" account) in 2008. Please provide invoices for the testing of disinfection by products.